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ABSTRACT

The Office of Inspector General (OIG) works to assist the Department of Education in ensuring the integrity of its operations and improving its programs. During the 6 months this report covers, OIG issued 60 audit and inspection reports and memoranda, and closed 104 investigations. More specifically, OIG investigated purchase-card abuse and high-risk contracts; conducted extensive work in information technology management and security; continued to investigate federal student-aid programs; commented on final rulemaking pertaining to the Higher Education Act; and performed audits on programs, systems, and financial operations. As a result of its investigations, OIG made the following recommendations: correct long-standing financial management problems; strengthen information technology (IT) security; improve internal controls; improve contract monitoring; balance compliance monitoring and technical assistance; work to remove federal student-aid programs from the Government Accounting Office high-risk list; pursue appropriate electronic government initiatives; improve strategic management of human capital; improve and test continuity of operations plans; improve management of IT assets; and obtain reliable performance data and improve performance measures. The results of some of the audits and investigations, as well as recommendations and lists of unresolved reports, are presented in 10 tables. (WFA)

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No. 45

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U.S. Department of Education

Office of Inspector General

Semiannual Report to Congress

No. 45

April 1, 2002 – September 30, 2002

EA03ZT281

U.S. Department of Education
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Secretary

Office of Inspector General
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Acting Inspector General

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November 2002

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U.S. Department of Education

Office of Inspector General

Semiannual Report

to Congress

No. 45

April 1 - September 30, 2002

INSPECTOR GENERAL'S MESSAGE TO CONGRESS

We are pleased to provide this semiannual report on the accomplishments of the Office of Inspector General (OIG), U.S. Department of Education (Department), from April 1, 2002 to September 30, 2002. During this time, we issued 60 audit and inspection reports and memoranda and closed 104 investigations.

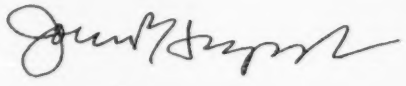
Our work demonstrates OIG's strong commitment and valuable role in assisting the Department in ensuring the integrity of its operations and improving its programs to provide the best service to the American public. We direct our resources to critical priorities that are central to the President's Management Agenda, the Department's management challenges and strategic plan, and our strategic plan.

We developed *A Practical Guide for Reviewing Government Purchase Card Programs*, edited by the Department of Commerce OIG and published and distributed by the President's Council on Integrity and Efficiency. Abuse of these cards is unacceptable and compromises the public's trust in government. Our Guide is an effective resource for detecting and preventing this abuse. We conducted extensive work in information technology (IT) security, a critical component of the Department's operations, particularly in light of the President's mandate to expand electronic government. We continued our robust investigative work in federal student aid programs which comprise more than half of the Department's total budget.

We commented on final rulemaking pertaining to the Higher Education Act and, as we had with regard to the proposed regulations, we nonconcurred with provisions on incentive compensation. We testified before Congress on the status of the Department's financial management and on the quality of audits submitted by entities that receive federal funds.

The Secretary has made accountability of employees, operations, and programs the primary focus at the Department, and our work fully supports this goal. We will continue our pursuit of improved performance and meaningful results. In the next six months, we will focus audit, inspection, and investigative attention on financial management, IT system security and continuity, federal student aid, and No Child Left Behind. These areas are key priorities and essential to the Department's mission and goals.

We look forward to working with Congress and the Secretary in making a positive difference in the Department's programs and operations.



John P. Higgins, Jr.

Acting Inspector General

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ACTIVITIES AND ACCOMPLISHMENTS

The Office of Inspector General (OIG), for the period April 1, 2002 – September 30, 2002, continued its work to improve the programs and operations of the Department of Education (Department or ED) and to protect their integrity.

Our work assisted the Department in its efforts to meet the goals contained in *The President's Management Agenda*, the Department's *Annual Plan, 2002-2003*, OIG's *Strategic Plan, 2001-2005*, the Secretary's *Blueprint for Management Excellence*, and the *Management Challenges of the Department of Education, February 2002*. Our significant audits, investigations, and inspections are summarized below. Detailed information is available on our website at http://www.ed.gov/offices/OIG.

Improved Financial Performance

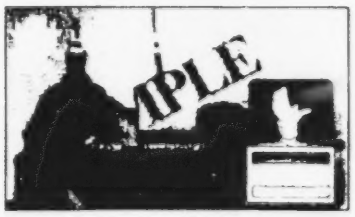
Better financial management is vital to the Department's ability to effectively and efficiently operate and deliver programs. We completed a number of audits, investigations, and inspections in the area of financial management, and testified before the House Subcommittee on Select Education, Committee on Education and the Workforce, on the status of financial management at the Department.

CONTROLS OVER PURCHASE CARDS

We conducted a follow-up audit on purchase cards to determine if the Department implemented our previous recommendations. We found that the Department had made some progress, but recommended that it develop on-site guidelines, conduct on-site internal control reviews, and reassess the number of cardholders assigned to an approving official. The Department concurred with our recommendations. ("Audit of Purchase Cards at the U.S. Department of Education," *ED-OIG/A17-C0002, April 9, 2002.*)

Purchase card review guide goes online

We developed *A Practical Guide for Reviewing Government Purchase Card Programs* to assist OIGs and others in reviewing government purchase card programs. Our guide, produced with the Commerce Department OIG and published by the President's Council on Integrity and Efficiency (PCIE), is a valuable tool in detecting and preventing fraud, waste, and abuse. The PCIE recognized the guide with an Award for Excellence. It is available online at http://www.ignet.gov/pande/iande.html.



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Department employees charged in alleged scheme to misuse government-issued credit cards

Our investigation led to the indictment and arrest of two former Department employees who allegedly used their government credit cards to buy household furniture and to pay contractors for work that was not performed. The Department paid about $163,000 for claims as a result of this alleged scheme.

MONITORING HIGH-RISK CONTRACTS

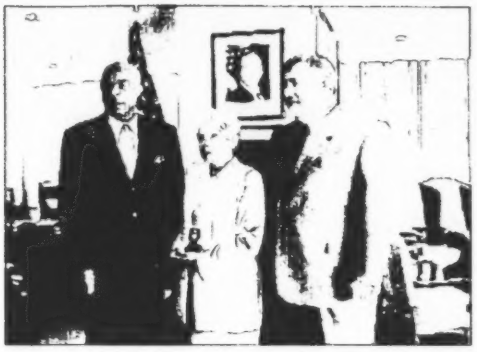
We evaluated the Department's process for identifying and monitoring high-risk contracts that support educational research and improvement programs. We found that the Department did not always ensure that the terms of these contracts were followed, and therefore could not ensure that contract obligations were met. The Department concurred with our recommendations and is taking corrective action. ("Audit to Evaluate the Department of Education's Process for Identifying and Monitoring High-Risk Contracts that Support Office of Educational Research and Improvement (OERI) Programs," *ED-OIG/A19-B0009, September 20, 2002.*)

FINANCIAL INTEGRITY INVESTIGATIONS

Our investigations resulted in a number of prosecutions for fraud against Department programs. Seven individuals, including three Department employees, pled guilty for their roles in a wide-ranging conspiracy to defraud the Department of over one million dollars in electronic equipment and false overtime charges. (See *Semiannual Report No. 44*, page 5, "Telecommunications Case Pleas and Conviction.") The three Department employees no longer work for the Department. Three indicted co-conspirators, one a Department employee on indefinite suspension, elected to go to trial. The PCIE has recognized this investigation with an Award for Excellence.

Our investigation of an assistant financial aid director in Knoxville, Tennessee led to a guilty plea for mail fraud for submission of fraudulent Federal Family Education Loan (FFEL) applications. This individual submitted loan applications in another person's name, used a false Social Security number, and falsely certified loan checks through three guaranty agencies. We developed this case from information received from an official at the Florida Office of Student Financial Assistance during resolution of conflicts in the National Student Loan Data System.

Another OIG investigation led to the indictment of two brothers on 29 counts of student aid fraud, including the use of false Social Security numbers and birth certificates to obtain federal financial aid. The brothers received approximately $54,000 in aid.



Assistant United States Attorney Barbara A. Grewe receiving an award from Secretary Rod Paige and Acting Inspector General John Higgins, Jr. for her outstanding performance on the telecommunications fraud investigation.

Information Technology Management

Information technology (IT) is a critical component of the Department's operations, particularly in light of the mandate to expand electronic government contained in *The President's Management Agenda.* The Department's more than 100 systems must be capable of ensuring the availability, confidentiality, and integrity of the data they contain.

GOVERNMENT INFORMATION SECURITY AND REFORM ACT (GISRA)

We issued our second evaluation of the Department's information security plans, programs, and practices as required by GISRA. Our review identified a number of material and significant weaknesses in technical security controls in four of the Department's mission-critical systems. We concluded that the Department was not in full compliance with GISRA. The Department agreed with most of our recommendations. ("Department of Education's Implementation of GISRA, Year 2," *ED-OIG/A11-C0008, September 16, 2002.)*

GOVERNMENT PAPERWORK ELIMINATION ACT (GPEA)

Our audit of the Department's implementation of GPEA found that it has not developed a Department-wide GPEA strategy or designated a manager to direct GPEA activities. The Department agreed with some of our findings and recommendations. ("Implementation of the Government Paperwork Elimination Act," *ED-OIG/A11-C0009, September 30, 2002.*)

ENTERPRISE ARCHITECTURE

Our audit of the Department's enterprise architecture found that the Department and Federal Student Aid (FSA) have made progress toward completing an architecture, but need to complete critical elements to use IT systems across the Department in a cost-effective and efficient way. The Department and FSA concurred with the report's basic findings, but disagreed with some recommendations. ("Audit of Enterprise Architecture," *ED-OIG/A07-C0001, September 30, 2002.*)

ADVICE AND ASSISTANCE

We shared our expertise by participating on several Department IT steering committees and working groups in an observer and advisory capacity. OIG

provided observations to the Deputy Secretary, Assistant Secretary for Management, and Chief Information Officer, and identified opportunities for improvement in the Investment Review Board's IT investment management process.

UNAUTHORIZED TRANSFER OF FUNDS

OIG and the FBI continue to investigate the fraudulent diversion of $1.9 million in Impact Aid funds to improper bank accounts. The owner of one of the businesses that fraudulently received funds pled guilty. Another individual was arrested for allegedly conspiring to receive stolen government property.

Budget and Performance Integration

Performance measures and reliable data are necessary to determine whether programs are accomplishing their purpose. The Department relies on program data from third parties for many of its programs, and our work continues to disclose inaccuracies in this information.

TITLE I ACCOUNTABILITY DATA ISSUES

We issued a joint audit report with the U.S. General Accounting Office, the Texas State Auditor's Office, the Pennsylvania Office of the Auditor General, and the City of Philadelphia Office of the Controller, on Title I, Part A program performance data. We found that many states are not complying with state assessment requirements and that states are not ensuring that accountability data are reliable. We recommended that the Department enhance its controls for ensuring that states comply with statutory student assessment requirements and that states implement reliable accountability systems. The Department generally concurred with our findings. The PCIE has recognized this audit with an Award for Excellence. ("A Joint Audit Report on the Status of State Student Assessment Systems and the Quality of Title I School Accountability Data," *ED-OIG/S14-C0001, August 31, 2002.*)

INDIVIDUALS WITH DISABILITIES EDUCATION ACT (IDEA) AUDITS

We completed audits of compliance with the funding formula requirements for IDEA in Texas, Missouri, Florida, Idaho, Rhode Island, and Tennessee. We found that Florida, Tennessee, and Rhode Island incorrectly calculated the base that determines how much funding they should receive. Florida and Tennessee generally concurred with our findings. Rhode Island requested that we modify our recommendation. (Texas: *ED-OIG/A06-C0001, July 10, 2002*; Missouri: *ED-OIG/A06-C0006, July 10, 2002*; Florida: *ED-OIG/A06-C0004, July 18, 2002*; Idaho: *ED-OIG/A06-C0003, July 10, 2002*; Rhode Island: *ED-OIG/A06-C0002, June 27, 2002*; Tennessee: *ED-OIG/A06-C0005, June 25, 2002.*)

FRAUD AGAINST ELEMENTARY AND SECONDARY PROGRAMS

An OIG investigation led to a guilty plea by the former executive director of National School Services of Puerto Rico for conspiring to commit extortion. Our investigation disclosed that the individual paid over $150,000 in return for Puerto Rico Department of Education (PRDE) contracts substantially funded with Title I funds. The payments were made between late 1994 and April 2001, when National School Services was awarded contracts valued at more than $26 million. Two OIG audit reports previously cited PRDE for improper administration of Title I contracts awarded to National School Services.

Another OIG investigation led to the indictment of an Oakdale School District (Oklahoma) employee for fraudulently obtaining over $120,000 in IDEA funds provided by the Department to the State of Oklahoma. Our investigation found that this individual used the Department's money to buy vehicles and gifts for acquaintances.

Our investigation of the former comptroller of the Douglas County, Georgia, school system led to a sentence of 45 years in prison and a fine of $10,000. We found that this person submitted fraudulent documents to obtain money for a fictitious company.

A joint OIG/San Jose (California) Police Department investigation led to a guilty plea by the accountant for the Alum Rock Union Elementary School District for embezzling over $700,000 in Department funds. This individual deposited the money in her personal bank account.

COMPLIANCE ACTIVITY IN VIRGIN ISLANDS AND PUERTO RICO

We worked with the Department on a compliance agreement between the Department and the Virgin Islands to address a number of problems in administration of elementary and secondary education programs. Our audits and work by the Department and the Department of the Interior OIG had previously identified these deficiencies. We also worked with the Department on an extensive corrective action plan for the Puerto Rico Department of Education. The plan addresses high-risk conditions and deficiencies identified in our PRDE Single Audits and extensive OIG audit and investigative work.

GUARANTY AGENCIES

Our work involving guaranty agencies yielded significant audit and investigative results as discussed in the following summaries.

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Guaranty agencies' failure to comply fully with federal and operating fund restrictions continues to result in improper exclusions

Our audits of two guaranty agencies found that the agencies did not deposit FFEL funds into the appropriate reserve fund as required by the Higher Education Act. Departmental regulations provide that all earnings attributable to federal funds while held by the guaranty agency or its agent should follow those funds.

Our audit at United Student Aid Funds, Inc. (USAF), found that USAF did not deposit about $6,626,000 into the Federal Fund. We recommended that the Department require USAF to transfer the $6,626,000 from its Operating Fund to the Federal Fund, and recover $6,288,000 of this amount to make the Operating Fund whole. USAF did not agree with our findings. ("United Student Aid Funds, Inc.'s Administration of the Federal Family Education Loan Program Federal and Operating Funds," *ED-OIG/A05-B0033, April 23, 2002.*)

At Oregon Student Assistance Commission (OSAC), we found that OSAC improperly excluded about $1.6 million from the fund balance when it established the Federal Fund, and improperly deposited about $160,000 of supplemental preclaims assistance payments into the Operating Fund instead of the Federal Fund. OSAC did not agree with our finding regarding improper exclusion of the $1.6 million. ("Oregon Student Assistance Commission's Administration of the Federal Family Education Loan Program Federal and Operating Funds," *ED-OIG/A09-B0016, May 9, 2002.*)

Investigative initiatives add value to OIG efforts with guaranty agencies

OIG investigations and presentations at guaranty agencies were important as we continue to work with these organizations to improve their integrity and accountability regarding Department funds and programs.

Our investigation led to 23 months incarceration and the order to pay $163,670 in restitution for the financial aid director at Manhattan College. The official submitted fraudulent FFEL applications, in his name and others, to guaranty agencies from September 1998 through December 1999, claiming to be a student and requesting over $200,000 in loan proceeds.

OIG agents presented four sessions on fraud and abuse to the financial aid community as part of a series of workshops offered by the Department on technical aspects of financial aid. We also participated in partnership meetings with representatives from California State licensing agencies, guaranty agencies, and other ED offices. We discussed closed schools, challenged schools, and coordinating student and citizen complaints among the various agencies.

PROGRAM ASSESSMENT RATING TOOL ASSISTANCE

We provided assistance and information to the Office of Management and Budget (OMB) in connection with its review of Department programs under the Program Assessment Rating Tool (PART) initiative. OMB is requiring agencies to have performance data that better describe programs funded in those agencies and requested that we review data collected from the Department for its PART

assessments. Our recommendations to OMB resulted in modifications to the Department assessments.

GRADUATION RATES FOR LESS THAN TWO-YEAR POSTSECONDARY INSTITUTIONS

We completed an inspection of graduation rates for less than two-year postsecondary schools eligible to participate in FSA programs. We found that the Department does not have formal procedures for enforcement against institutions that do not submit mandatory graduation rate surveys. The Department concurred with our recommendations to develop policies and procedures to ensure consistent enforcement of Graduation Rate Survey reporting requirements, and to initiate administrative action against non-compliant institutions. ("Graduation Rates for Less than Two-Year Postsecondary Institutions," *ED-OIG/I13-C0001, August 19, 2002.*)

STATE AGENCY AND COMMUNITY-BASED ORGANIZATION RETURN FUNDS

A joint OIG, FBI, and FEMA OIG investigation led to the California Department of Education (CDE) agreeing to pay up to $3.3 million to settle fraud allegations. CDE used Department grants to fund community-based organizations (CBOs) to provide English as a Second Language and Citizenship training. CDE released funds to organizations that it knew lacked documentation to support the CBO claims for funds, did not have proper not-for-profit status, and had falsified student attendance records.

This investigation also led to a consent judgment of forfeiture between the United States and Citizens in Action Community Development Corporation (CIACDC) for $639,166. CIACDC was started and controlled by Hermandad Mexicana Nacional Legal Center (HMNLC), to avoid the government's seizure of the funds. HMNLC is a non-profit CBO that received funds from CDE to provide adult education courses.

NONFEDERAL AUDIT ACTIVITIES

Participants in Department programs are required to submit annual audits performed by independent public accountants (IPAs). In accordance with the Inspector General Act requirement to assure that work performed by nonfederal auditors complies with government auditing standards, we publish audit guidance specific to Department programs to assist IPAs in performing these audits.

We published a new *Foreign School Audit Guide*, for use by foreign schools enrolling U.S. students receiving loans under the FFEL program. Our new guide will facilitate compliance by foreign schools with the audit requirements of the Higher Education Act and Department regulations.

We also performed quality control reviews (QCRs) of audits conducted by IPAs to assess audit quality. We performed 51 QCRs of audits conducted by 48 different IPA firms, or offices of firms with multiple offices. We found that 67 percent were acceptable, 23 percent were technically deficient, and 10 percent were substandard. We also referred four IPAs to the appropriate State Boards of Accountancy and State Societies of Certified Public Accountants for possible disciplinary action for substandard work. Three of these IPAs were referred for work reported in a prior semiannual report.

Reduction of Fraud and Error in Student Aid Programs and Deficiencies in Financial Management

Student financial aid programs are the Department's largest dollar value programs. These programs are inherently risky since many recipients do not have a credit history. We made a number of recommendations to help the Department and FSA identify and address weaknesses.

INCENTIVE COMPENSATION

We continue to find violations of the statutory prohibition against incentive compensation, the practice of institutions paying individuals or organizations based on their success in enrolling students or obtaining financial aid for the school.

University of La Verne

Our audit of University of La Verne in California found that the school violated the statutory prohibition on incentive payments by implementing a marketing incentive plan in academic year 1999-2000. This plan established a bonus pool based on the revenue gained from enrollments in the university's School of Continuing Education exceeding a base enrollment quota. We recommended that the university return to lenders $6,528,981 in FFEL funds, and repay the Department interest and special allowance. We also recommended that the university return $395,730 in Pell funds to the Department. The university agreed with our findings, but disagreed with our recommendation to return Title IV funds. ("University of La Verne's Compliance with the Higher Education Act's Prohibition on Incentive Payments Based on Success in Securing Enrollments," *ED-OIG/A09-C0004, June 21, 2002.)*

Baker University

At Baker University in Kansas, we found that the university's contract with the Institute for Professional Development (IPD) to provide recruiting and accounting services included a provision to pay IPD based on the number of students enrolled in its School of Professional and Graduate Studies. IPD in turn paid its recruiters based on the number of students they recruited for the programs. We recommended that Baker return to lenders and the Department $13,935,295 in Title IV funds disbursed to students who were improperly recruited. The university did not agree with our findings and recommendations. ("Baker University School of Professional and Graduate Study's Administration of Title IV Federal Student Aid Programs," *ED-OIG/A07-A0030, September 19, 2002.*)

Southern Wesleyan University

Our audit at Southern Wesleyan University in South Carolina found that the university did not comply with the statutory prohibition on incentive compensation and did not provide the number of instructional hours required to meet the statutory definition of an academic year. We found that the university is liable for $19,451,123 in Title IV funds. The university disagreed with our findings and

recommendations. ("Audit of Commissioned Sales and Course Length at Southern Wesleyan University," *ED-OIG/A06-A0024, September 4, 2002.)*

NOTICE OF PROPOSED RULEMAKING (NPRM)

We worked with the Department during negotiations on proposed rules regarding FSA programs and provided comments on several provisions. We nonconcurred with one provision to change the incentive compensation regulations. This provision would allow institutions to pay third parties based on success in securing enrollment, without limitation on the incentive nature of those payments. We do not believe that the existing statutory ban on incentive compensation allows any incentive payments to entities involved in recruiting based on their success in enrolling students.

BONUSES FOR ENROLLMENTS

Our investigation of a former employee at Miami Institute of Technology led to the sentencing of a former admissions counselor who received a bonus or commission based on the students she enrolled. She was sentenced to two and one-half years probation and ordered to pay restitution of $48,825.

WEAKNESSES IN ABILITY-TO-BENEFIT PROGRAM

The Higher Education Act requires that a student who does not have a high school diploma or recognized equivalent must pass an independently administered ability-to-benefit (ATB) test to be eligible to receive federal student aid. We issued three audits on ATB issues.

Federal Student Aid's monitoring

Our audit found that FSA does not effectively monitor Department-approved ATB test publishers to ensure compliance with applicable laws, regulations, and the terms of agreements with the Secretary. ("Audit of Procedures at Federal Student Aid for Monitoring the Ability-to-Benefit Test Publishers Approved by the U.S. Department of Education: American College Testing, The College Board, CTB/ McGraw-Hill, and Wonderlic, Inc.," *ED-OIG/A03-B0001, August 22, 2002.*)

We recommended that FSA ensure that test publishers comply with requirements, and improve its processes for identifying and reporting retest errors so institutions have accurate and timely information when making eligibility determinations. We also recommended that FSA either withdraw the Department's approval of American College Testing's (ACT) Assessment Test or revise the agreement. FSA agreed with our recommendations and indicated that ACT has discontinued use of its assessment scores for ATB.

We also recommended that the Department ensure that the regulations clearly define who is responsible for liabilities to ED regarding Title IV funds that students receive on the basis of an improper ATB test administration. The Department disagreed with this recommendation.

American College Testing

We found that ACT was not in compliance with its agreement with the Department for the approved use of its Career Programs Assessment Test. We recommended

that FSA require ACT to strengthen its management controls and ensure that institutions have accurate and timely information when making eligibility determinations. We also recommended that the Department reconsider its approval of ACT's Assessment Test for ATB testing if ACT does not implement our recommendations. ACT concurred with most of our recommendations, and stated that it intends to address the issues we raised. ("Audit of American College Testing's Ability-to-Benefit (ATB) Policies and Procedures for Its Career Programs Assessment Test (CPAt)," *ED-OIG/A03-B0024, May 13, 2002.*)

Lincoln Technical Institute

Our audit of Lincoln Technical Institute (LTI) in Pennsylvania found that between July 1, 1997 and November 7, 2000, LTI compromised the test security of ATB tests administered for its students. We recommended that FSA require LTI to repay the Department and the appropriate lenders $224,345 in Title IV funds. We also identified other weaknesses in the school's ATB testing process. LTI disagreed with our findings and recommendations. ("Audit of the Ability-to-Benefit Testing Process at Lincoln Technical Institute, Inc.," *ED-OIG/A03-B001, May 10, 2002.*)

OIG investigates ATB scams

An OIG investigation led to a guilty plea by a former Indiana beauty school owner for student aid fraud and money laundering. The resulting sentence included 15 months incarceration, two years supervised release after incarceration, and an order to pay the Department $1,091,101. This individual enrolled students in an ineligible program and enrolled students without high school diplomas or GED certificates, or without taking an ability-to-benefit test. One other person was previously sentenced and another awaits sentencing.

FEDERAL STUDENT AID FRAUD

A significant portion of our investigative work is in federal student aid. Our cases involved fraud by institution officials and by aid recipients. Institutional fraud can be in the form of default and deferment fraud, refund fraud, and ineligible programs receiving funds. Because of OIG investigative efforts, this period six individuals were debarred and 17 suspended from participating in federal programs. Examples of significant prosecutions this period follow.

Institutional fraud

An OIG investigation led to a six-year prison term and restitution order of $11,659,499 for the leader of a fraud scheme. This person and six associates were charged in January 1997. The leader originally fled the country but was extradited to the United States in November 2001. The leader created a fictitious postsecondary institution, Toldos Yakov Yosef, Brooklyn, New York, for the purpose of collecting Pell Grants and other aid.

Another of our investigations led to a guilty plea from a former chief financial aid officer at LeMoyne-Owen College, Memphis, Tennessee. The former aid officer

issued approximately $72,000 in refund checks under the names of individuals who were never students at the school.

An OIG investigation led to 27 months incarceration and an order to pay restitution of $1,009,190 for the former owner of Unger and Associates (UAI) for misusing client trust funds of over $1 million. This individual was also ordered to surrender the net proceeds, amounting to approximately $300,000, from a recent sale of real estate. UAI contracted with ED and over 200 colleges and universities to collect on defaulted federal student loans and tuition. Between February 1998 and June 1999, UAI used over $1 million in client trust funds for personal and operating expenses instead of remitting them to clients.

Recipient fraud

Recipient fraud includes falsification of income, identity theft, falsification of eligibility status, and fraudulent loan discharges. We also had several significant cases involving preparers assisting clients in obtaining aid for which they were not eligible.

A former Chicago schoolteacher was sentenced to two years probation, fined $2,000, and ordered to pay restitution of $26,150 for falsifying the Free Application for Federal Student Aid (FAFSA). Our investigation disclosed that this person provided false income information on the FAFSA and income tax returns, allowing her son to receive Pell Grants and other aid for which he was ineligible.

Our joint investigation with the Social Security Administration OIG and the FBI resulted in an Illinois couple being found guilty of financial aid fraud and Social Security fraud. For the last 18 years, the couple committed fraud that allowed them to receive over $18,504 in federal and state financial aid and $426,000 in Social Security benefits.

Our investigation of a financial aid consulting service owner led to his sentencing to 51 months incarceration, and ordered restitution of $1,585,182 to the Department and $1,057,580 to the Illinois Student Assistance Commission. This person prepared more than 500 fraudulent student aid applications for clients who underreported income to make them eligible for federal and state grant funds. He was one of 27 individuals indicted in March 2001. To date, 26 have pled guilty and over $3 million has been recovered through civil settlements and civil fraud filings.

Our investigation led to a guilty plea by a teacher's assistant in Chicago for federal student aid fraud. We found that this person paid a preparer to underreport parental income in her children's financial aid paperwork. The false income information, submitted to three universities from 1989 through 1999, resulted in receipt of $23,000 in federal student aid her children were ineligible to receive.

OIG provides vital support for terrorist investigation

OIG agents continue to support the investigation of the September 11, 2001, attacks on the World Trade Center and the Pentagon. Our agents are performing a number of key services, including analysis of electronic data and evaluation of terrorist internet data. We also initiated Project Strike Back to provide investigative and analytical support to the FBI in the nation's terrorism investigation.

These angels were presented to our office by an Oklahoma elementary school class to show their appreciation and support for the volunteers who helped in the various 9/11 recovery efforts.

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Reporting Requirements (P.L. 95-452)

Section	Requirement	Table Number	Page Number
5(a)(1) and 5(a)(2)	**Significant Problems, Abuses, and Deficiencies**		
	Activities and Accomplishments	*	*
5(a)(3)	**Uncompleted Corrective Actions**		
	Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed	1	15
5(a)(4)	**Matters Referred to Prosecutive Authorities**		
	Investigation Services Cumulative Actions	7	24
	Statistical Profile	10	26
5(a)(5) and 6(b)(2)	**Summary of Instances Where Information Was Refused or Not Provided****		
5(a)(6)	**Listing of Audit Reports**		
	ED/OIG Audit Services Reports on Education Department Programs and Activities	2	16
5(a)(7)	**Summary of Significant Audits**		
	Activities and Accomplishments	*	*
5(a)(8)	**Audit Reports Containing Questioned Costs**		
	Inspector General Issued Audit Reports with Questioned Costs	4	21
5(a)(9)	**Audit Reports Containing Recommendations That Funds Be Put to Better Use**		
	Inspector General Issued Audit Reports with Recommendations for Better Use of Funds	5	21
5(a)(10)	**Summary of Unresolved Audit Reports Issued Prior to the Beginning of the Reporting Period**		
	Unresolved Reports Issued Prior to April 1, 2002	6	21
5(a)(11)	**Significant Revised Management Decisions****		
5(a)(12)	**Significant Management Decisions with Which OIG Disagreed****		

* Information found on pages 1-12 of this report.

** No instances to report.

Management Challenges

- **Correct long standing financial management problems**
- **Strengthen information technology security**
- **Improve internal controls**
- **Improve contract monitoring**
- **Balance compliance monitoring and technical assistance**
- **Meeting its goal of removing the federal student aid programs from the General Accounting Office "high risk" list**
- **Pursue appropriate electronic government initiatives**
- **Improve strategic management of human capital**
- **Improve and test continuity of operations plans**
- **Improve management of IT assets**
- **Obtain reliable performance data and improve performance measures**

Table 1: Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed

Report Number/ (Date Issued)	Report Title (Prior Semiannual Report [SAR] Number and Page)	Date Resolved	Total Monetary Findings	Number of Recommendations Open	Number of Recommendations Closed	Latest Target Date

Section 5(a)(3) of the Inspector General Act requires a listing of each report resolved before the commencement of the reporting period for which management has not completed corrective action. The reports listed below are OIG internal and nationwide audit reports.

New Since Last Reporting Period

Office of the Chief Financial Officer

A17-A0002 (02/28/01)	Fiscal Year 2000 Annual Financial Statements U.S. Department of Education (SAR 42, pp. 1, 2)	09/30/01	*	2	19	02/03/03

Federal Student Aid

A17-A0003 (02/28/01)	Fiscal Year 2000 Annual Financial Statements Student Financial Assistance (SAR 42, pp. 1, 2)	06/30/01	*	2	16	02/03/03

Audits Reported in Previous Semiannual Reports

Office of Postsecondary Education

A04-90014 (06/30/00)	Review of Title III Program, HEA, Compliance with GPRA Requirements for Implementation of Performance Indicators (SAR 41, pg. 23)	03/31/01	*	6	1	12/31/02

Federal Student Aid

A01-90005 (09/29/00)	The Recertification Process for Foreign Schools Needs to Be Improved (SAR 41, pg. 23)	03/31/01	*	1	3	10/31/02
A17-90018 (02/28/00)	Fiscal Year 1999 Annual Financial Statements Student Financial Assistance (SAR 40, pg. 19)	09/30/00	*	1	22	12/31/02

Office of the Chief Financial Officer

A17-90019 (02/28/00)	Fiscal Year 1999 Annual Financial Statements U.S. Department of Education (SAR 40, pg. 19)	07/31/00	*	1	23	12/31/02

Office of the Chief Information Officer

A11-90013 (02/25/00)	Review of Security Posture, Policies and Plans (SAR 40, pg. 3)	06/30/00	*	3	10	02/03/03
A11-90018 (07/10/00)	Review of EDNET Security (SAR 41, pg. 22)	03/31/01	*	2	58	12/15/02
A11-A0005 (09/14/00)	Review of Planning and Assessment Activities for Presidential Decision Directive 63 on Critical Infrastructure Protection (SAR 41, pg. 22)	03/31/01	*	2	8	02/03/03

Office of the Under Secretary

A17-70007 (09/24/98)	Moving Towards a Results-Oriented Organization: A Report on the Status of ED's Implementation of the Results Act (SAR 37, pg. 14)	01/31/00	*	**	8	**

* Non-monetary findings only.

** Closure request was not received by the Department before reporting period ended (09/30/02).

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Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (April 1, 2002 to September 30, 2002)

Report Number	Report Title	Date Issued	Questioned Costs**	Unsupported Costs	Better Use of Funds	Number of Recommend.

Section 5(a)(6) of the Inspector General Act requires a listing of each report completed by OIG during the reporting period. A total of 42 audit reports were issued by ED/OIG auditors. In addition, we issued 12 alternative products, which include 3 action memoranda,[1] 3 alert memoranda,[2] 1 information memorandum, and 5 special projects. The 42 reports, 5 special projects, and 1 information memorandum are listed below by respective program office. The 6 action/alert memoranda, which have restricted distribution, are not listed.

AUDIT REPORTS

Federal Student Aid (FSA)

A03-B0001	Audit of Procedures at Federal Student Aid (FSA) for Monitoring the Ability-to-Benefit (ATB) Test Publishers Approved by the U.S. Department of Education (ED): American College Testing (ACT), The College Board, CTB/McGraw-Hill, and Wonderlic, Inc. (Wonderlic) *(OPE also designated as an action office for this report)*	08/22/02	*	*	*	4
A03-B0013	Audit of the Ability-to-Benefit (ATB) Testing Process at Lincoln Technical Institute, Inc. (LTI), Philadelphia, PA	05/10/02	$256,946	*	*	9
A03-B0024	Audit of American College Testing's Ability-to-Benefit (ATB) Policies and Procedures for its Career Programs Assessment Test (CPAt)	05/13/02	*	*	*	12
A04-B0015	Review of Cash Management and Student Financial Assistance Refund Procedures at Bennett College *(OPE designated as collateral action office for this report)*	09/26/02	$997,313	*	*	7
A05-B0019	Audit of Course Length at Trinity Christian College (Trinity)	09/17/02	$111,061	*	*	3
A05-B0033	United Student Aid Funds, Inc.'s Administration of the Federal Family Education Loan Program Federal and Operating Funds	04/23/02	$6,626,000	*	*	4
A05-B0037	Audit of the Administration of the Student Financial Assistance Programs by Aakers Business College (College) during the period October 1, 1998, through September 30, 1999	07/23/02	$4,366	*	*	4
A05-B0040	Audit of the Administration of Selected Aspects of the Student Financial Assistance Programs by Globe College (College) during the period January 1, 1999, through December 31, 1999	08/07/02	$61,466	*	*	3
A06-A0024	Audit of Commissioned Sales and Course Length at Southern Wesleyan University	09/04/02	$19,451,123	*	*	5
A06-B0007	University of San Francisco's Administration of the William D. Ford Federal Direct Loan Program	07/24/02	$201,655	$1,189,345	*	5
A06-C0019	Audit of Wade College's (Wade) Compliance with Title IV of the Higher Education Act of 1965 (HEA), as amended, and selected regulations governing Federal Student Financial Assistance (SFA) Programs during the period July 1, 2000, through December 31, 2001	06/19/02	$3,746	*	*	4

Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (April 1, 2002 to September 30, 2002) (Cont.)

Report Number	Report Title	Date Issued	Questioned Costs**	Unsupported Costs	Better Use of Funds	Number of Recommend.
A07-A0030	Baker University School of Professional and Graduate Study's Administration of Title IV Federal Student Aid Programs	09/19/02	$15,716,275	*	*	7
A07-A0031	Fontbonne University Options Program's Administration of Title IV Federal Student Aid Programs	09/30/02	$12,441,490	*	*	7
A07-B0002	Audit of the National Student Loan Program's Establishment of the Federal Family Education Loan Program Federal and Operating Funds	09/27/02	$728,183	$1,944,758	*	10
A09-B0016	Oregon Student Assistance Commission's Administration of the Federal Family Education Loan Program Federal and Operating Funds	05/09/02	$2,044,821	$1,985,628	*	10
A09-C0004	University of LaVerne's Compliance with the Higher Education Act's Prohibition on Incentive Payments Based on Success in Securing Enrollments	06/21/02	$6,924,711	*	*	2
A09-C0005	Silicon Valley College's Administration of the Higher Education Act, Title IV Programs	09/20/02	$436	*	*	6
Office of the Chief Financial Officer (OCFO)						
A07-B0016	The Department's Management Controls over Discretionary Grants Need to be Strengthened to Ensure Grant Accountability	09/26/02	*	*	*	5
A07-C0008	Contract Closeout Audit of Office of Educational Research and Improvement Contract No. RJ96006501 at Northwest Regional Educational Laboratory	09/12/02	$320,195	*	*	4
A17-C0002	Audit of Purchase Cards at the U.S. Department of Education	04/09/02	*	*	*	4
A19-B0009	Audit to Evaluate the Department of Education's Process for Identifying and Monitoring High-Risk Contracts that Support Office of Educational Research and Improvement (OERI) Programs *(OERI also designated as action office for this report)*	09/20/02	$4,853	*	*	20
Office of the Chief Information Officer (OCIO)						
A07-C0001	Audit of Enterprise Architecture *(FSA also designated as action office for this report)*	09/30/02	*	*	*	4
A11-C0008	The Department of Education's Implementation of the Government Information Security Reform Act (GISRA) Year 2[3]	09/16/02	*	*	*	26
A11-C0009	Implementation of the Government Paperwork Elimination Act	09/30/02	*	*	*	2

Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (April 1, 2002 to September 30, 2002) (Cont.)

Report Number	Report Title	Date Issued	Questioned Costs[#,@]	Unsupported Costs	Better Use of Funds	Number of Recommend.
Office of Educational Research and Improvement (OERI)						
A05-C0011	Audit of the Public Broadcasting Service's (PBS) Administration of the TeacherLine Grant No. R286A000003-01 (Grant) awarded under the Telecommunications Demonstration Project for Mathematics for the period June 1, 2000, through May 31, 2001	09/10/02	$1,974	$147,456	*	5
A05-C0020	Audit of the Public Broadcasting Service's (PBS) Administration of the Ready-To-Learn Cooperative Agreement No. R295A000002 (Agreement) awarded under the Department of Education's Ready-To-Learn Television Program for the period September 1, 2000, through August 31, 2001	09/10/02	$52	$140,664	*	4
Office of Elementary and Secondary Education (OESE)						
A02-B0025	Puerto Rico Department of Education Did Not Administer Properly Three Contracts with R.V. Research and Management Group, Inc.	09/12/02	$371,748	$1,774,275	*	10
A03-B0023	Audit of Caroline Wilder Harris (C.W. Harris) Elementary School's Federal Grant Expenditures for the period July 1, 1999, through June 30, 2001	09/17/02	*	$43,159	*	2
A05-B0011	Audit of the Title I, Part A, Targeted Assistance Schools Grant (Grant) Administered by the Mount Clemens Community Schools District (District) for the July 1, 1997, through June 30, 1998, Award Year	08/02/02	$120,760	$338,571	*	4
A05-B0038	Audit of the Michigan Department of Education's (MDE) Administration of Selected Federal Funds Provided to Charter Schools for the period October 1, 1999, through September 30, 2000	09/06/02	*	*	*	0
A05-C0012	Audit of East Cleveland City Schools' (ECCS) Administration of the 21st Century Community Learning Centers (21st Century) Grant at Kirk Middle School (Kirk) for the period June 1, 1998, through December 31, 2001	09/18/02	$38,678	$310,959	*	9
Office of Postsecondary Education (OPE)						
A03-B0026	Audit of Delaware State University's Administration of the Title III Strengthening HBCU Program	07/11/02	*	*	*	7
A05-B0035	Audit of Robert Morris College's Administration of the Talent Search, Upward Bound, and Student Support Services Programs Chicago, Illinois	09/27/02	$20,151	*	*	12
A07-A0033	Audit of Gaining Early Awareness and Readiness for Undergraduate Programs	06/07/02	*	*	*	8
Office of Special Education and Rehabilitative Services (OSERS)						
A02-B0014	Audit of the Puerto Rico Vocational Rehabilitation Administration (PRVRA)	06/26/02	*	$15,800,000	*	5

Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (April 1, 2002 to September 30, 2002) (Cont.)

Report Number	Report Title	Date Issued	Questioned Costs[2][3]	Unsupported Costs	Better Use of Funds	Number of Recommend.
A06-B0028	Allowability of Office of Special Education and Rehabilitative Services' Grant Charges by Partners Resource Network, Inc., Beaumont, Texas	05/23/02	$17,220	$45,500	*	5
A06-C0001	Audit of the Individuals with Disabilities Education Act (IDEA), Part B, Section 611, at the Texas Education Agency (Texas)	07/10/02	*	*	*	0
A06-C0002	Audit of the Individuals with Disabilities Education Act (IDEA), Part B, Section 611, at the State of Rhode Island's Elementary and Secondary Education (Rhode Island)	06/27/02	*	*	*	1
A06-C0003	Audit of the Individuals with Disabilities Education Act (IDEA), Part B, Section 611, at the Idaho State Department of Education (Idaho)	07/10/02	*	*	*	0
A06-C0004	Audit of the Individuals with Disabilities Education Act (IDEA), Part B, Section 611, at the Florida Department of Education (Florida)	07/18/02	*	*	*	1
A06-C0005	Audit of the Individuals with Disabilities Education Act (IDEA), Part B, Section 611, at the Tennessee Department of Education (Tennessee)	06/25/02	*	*	*	1
A06-C0006	Audit of the Individuals with Disabilities Education Act (IDEA), Part B, Section 611, at the Missouri Department of Elementary and Secondary Education (Missouri)	07/10/02	*	*	*	0
ALTERNATE AUDIT SERVICES PRODUCTS						
Office of the Chief Financial Officer (OCFO)						
S17-C0010	Review of Third Party Drafts Questioned by the U.S. General Accounting Office	09/27/02	*	*	*	0
Office of Elementary and Secondary Education (OESE)						
S14-C0001	A Joint Audit Report on the Status of State Student Assessment Systems and the Quality of Title I School Accountability Data *(joint effort of GAO, ED/OIG, Texas State Auditor's Office, Pennsylvania Department of the Auditor General, and the Office of the City Controller, Philadelphia)*	08/31/02	*	*	*	6
Federal Student Aid (FSA)						
E07-C0017	Colorado Student Loan Program's Proposed Fiscal Separation of the Loan Servicing Unit and Proposed Buyout of Federal Non-liquid Assets (*issued to FSA and OPE as Information Memorandum FSA No. 02-01)*	07/09/02	*	*	*	0
S07-C0024	Results of the OIG Analysis of the Consistent Answers for Customers Share-In-Savings Proposals (*special project to assist ED with on-going negotiation efforts*)[3]	09/30/02	*	*	*	15

Table 2: ED/OIG Audit Services Reports on Education Department Programs and Activities (April 1, 2002 to September 30, 2002) (Cont.)

Report Number	Report Title	Date Issued	Questioned Costs**	Unsupported Costs	Better Use of Funds	Number of Recommend.
Office of Postsecondary Education (OPE)						
A09-C0016	North Central Association of Colleges and Schools' (NCACS) Accreditation Standards for Student Achievement and Program Length *(Management Information Report to assist ED with its oversight over accrediting agencies and to provide suggestions for enhancement to NCACS)*	09/26/02	*	*	*	0
A09-C0017	Accrediting Commission of Career Schools and Colleges of Technology's (ACCSCT) Accreditation Standards for Student Achievement and Program Length *(Management Information Report to assist ED with its oversight over accrediting agencies and to provide suggestions for enhancement to ACCSCT)*	09/27/02	*	*	*	0

* Non-monetary finding only. ** Includes other recommended recoveries.

A - Audit S - Special Report E - Action Memorandum

[1] Action Memoranda notify the Department's management of issues and problems detected so that appropriate action is taken. Action Memoranda are pre-decisional and will not appear on our website.

[2] Alert Memoranda notify the Department's management of issues and problems detected so that appropriate action is taken. An Alert Memorandum was used because issues and problems were identified that were outside our scope of review. Alert Memoranda are final and will appear on our website unless information is restricted.

[3] Restricted distribution.

Table 3: Other ED/OIG Reports on Education Department Programs and Activities (April 1, 2002 to September 30, 2002)

Report Number	Title of Report	Date Issued
I13-C0025	A Practical Guide for Reviewing Government Purchase Card Programs	06/11/02
I13-C0013	OIG Review of the Department's Physical Security Assessment Report II	06/13/02
I13-C0020	OIG Review of the OMB PART Tool and Spring Assessments	06/28/02
I13-C0012	Development of Core Competencies for OIG Analysis and Inspection Services	08/08/02
I13-C0001	Graduation Rates for Less Than Two-Year Postsecondary Institutions	08/19/02
I13-C0020	OIG Review of OMB Draft PART Assessments	09/13/02

Table 4: Inspector General Issued Audit Reports with Questioned Costs[1]

		Number	Questioned	Unsupported[2]
A.	For which no management decision has been made before the commencement of the reporting period (as adjusted)[3]	44	$122,819,629	$23,941,455
B.	Which were issued during the reporting period	26	$90,064,778	$24,510,470
	Subtotals (A + B)	70	$212,884,407	$48,451,925
C.	For which a management decision was made during the reporting period	17	$9,304,915	$3,337,836
	(i) Dollar value of disallowed costs		$9,240,307	$3,337,836
	(ii) Dollar value of costs not disallowed		$64,608	$0
D.	For which no management decision has been made by the end of the reporting period	53	$203,579,492	$45,114,089
E.	For which no management decision was made within six months of issuance	27	$113,514,714	$20,603,619

[1] None of the audits reported in this table were performed by the Defense Contract Audit Agency.

[2] Included in questioned costs.

[3] Beginning balance for Unsupported Costs was decreased by $100,000 (adjustment made to our database for audit A07-A0006). Also, beginning balance for Questioned Costs was increased by $2,214 (adjustment made to our database for audit A05-90054).

Table 5: Inspector General Issued Audit Reports with Recommendations for Better Use of Funds

	Number	Dollar Value

No activity to report

Table 6: Unresolved Reports Issued Prior to April 1, 2002

Report Number	Report Title (Prior Semiannual [SAR] Number and Page)	Date Issued	Total Monetary Findings	Number of Recommend.

Section 5(a)(10) of the Inspector General Act requires a listing of each report issued before the commencement of the reporting period for which no management decisions had been made by the end of the reporting period.

New Since Last Reporting Period

Federal Student Aid

A03-A0022 Audit of Commissioned Sales and Course Length at Wesley College — 01/15/02 — $1,431,560 — 5

Status: *Audit was placed on administrative stay on January 29, 2002.*

A03-B0022 Audit of Wonderlic's Ability-to-Benefit Program — 02/05/02 — * — 4

Status: *Following discussions with FSA and OPE, OPE has been designated as the action office for this audit.*

A04-10008 CSX Commercial Services, Inc. (SAR 27, pg. 34) — 09/17/93 — $19,900,000 — 9

Status: *This audit came off administrative stay. Program office is researching payment history.*

Table 6: Unresolved Reports Issued Prior to April 1, 2002 (Cont.)

Report Number	Report Title (Prior Semiannual [SAR] Number and Page)	Date Issued	Total Monetary Findings	Number of Recommend.
A05-B0003	Audit of Commissioned Sales and Course Length at Benedictine University ***Status:*** *Audit was placed on administrative stay on March 19, 2002.*	12/13/01	$221,968	5
A06-B0012	Audit of Los Angeles City College's Compliance with the Title IV, Student Financial Assistance, Verification Requirements ***Status:*** *Program office is working on final audit determination.*	11/14/01	$14,072	3
Office of the Chief Financial Officer				
A19-B0010	Audit of Controls over Government Travel Cards ***Status:*** *Progress is being made in resolving and closing the audit.*	03/27/02	$52,963	7
Office of Elementary and Secondary Education				
A03-B0025	Improving Title I Data Integrity for Schools Identified for Improvement ***Status:*** *Action items submitted to OIG on October 1, 2002.*	03/27/02	*	4
Office of Postsecondary Education				
A07-90034	Department Controls over TRIO Grantee Monitoring ***Status:*** *Waiting for a response from program office.*	01/04/02	*	9
Reported in Previous Semiannual Reports				
Federal Student Aid				
A02-70010	Drake Business Schools Corporation - Refunds of Unearned Tuition, Fees and Other Institutional Charges (SAR 41, pg. 23) ***Status:*** *Audit was placed on administrative stay on March 29, 2001. Office of the General Counsel required additional audit work before the final audit determination can be issued.*	06/06/00	$72,493	11
A03-90005	Computer Dynamics Institute Incorporated's Eligibility to Participate in the Title IV Programs (SAR 41, pg. 23) ***Status:*** *Program office informed us that the audit is resolved. It will be removed in the next Semiannual Report.*	09/15/00	$6,410,913	6
A05-A0030	Audit of Commissioned Sales at Olivet Nazarene University (SAR 43, pg. 11) ***Status:*** *Audit was placed on administrative stay on July 26, 2001.*	05/21/01	$3,299,891	4
A05-B0004	Indiana Wesleyan University, Adult and Professional Studies Administration of Title IV Programs, Marion, Indiana (SAR 43, pg. 11) ***Status:*** *Audit was placed on administrative stay on October 24, 2001.*	09/28/01	$31,682,782	5
A05-B0014	Audit of Course Length at Olivet Nazarene University (SAR 43, pg. 12) ***Status:*** *Audit was placed on administrative stay on October 24, 2001.*	09/28/01	*	4
A06-70005	Professional Judgment at Yale University (SAR 36, pg. 18) ***Status:*** *Audit was placed on administrative stay on June 29, 2000.*	03/13/98	$5,469	3
A06-70009	Professional Judgment at University of Colorado (SAR 37, pg. 17) ***Status:*** *Audit was placed on administrative stay on June 29, 2000.*	07/17/98	$15,082	4
A06-90010	International Aviation and Travel Academy's Administration of Title IV Student Financial Assistance Programs (SAR 42, pg. 22) ***Status:*** *Audit was placed on administrative stay on September 24, 2001.*	03/29/01	$6,637,634	7

Table 6: Unresolved Reports Issued Prior to April 1, 2002 (Cont.)

Report Number	Report Title (Prior Semiannual [SAR] Number and Page)	Date Issued	Total Monetary Findings	Number of Recommend.
A06-A0001	Interactive Learning Systems' Administration of the Title IV Student Financial Assistance Programs (SAR 43, pg. 12)	07/20/01	$990,828	7
	Status: *This audit is currently being reviewed by FSA staff - Dallas Case Team.*			
A06-A0003	International Business College's Administration of Title IV Student Financial Assistance Programs (SAR 42, pg. 22)	03/28/01	$461,035	4
	Status: *FSA is working on final audit determination.*			
A06-A0015	ESS College of Business' Administration of the Title IV Student Financial Assistance Programs (SAR 43, pg. 12)	08/29/01	$4,439,651	4
	Status: *FSA is working on final audit determination.*			
A06-B0014	Audit of United Education Institute's Compliance with the Title IV, Student Financial Assistance, Verification Requirements (SAR 43, pg. 12)	09/28/01	$7,285	1
	Status: *This audit is being reviewed by the case team.*			
A07-23545	State of Missouri, Single Audit Two Years Ended June 30, 1991	04/01/93	$1,048,768	18
	Status: *This is a single audit report prepared by the State Auditor of Missouri that covered two years ending June 30, 1991. Findings require further discussions with the General Manager, Chief Operating Officer, Office of Postsecondary Education, and Office of the Deputy Secretary.*			
A07-33123	State of Missouri, Single Audit Year Ended June 30, 1992	03/07/94	$187,530	18
	Status: *This is a single audit report prepared by the State Auditor of Missouri that covered the year ending June 30, 1992. Findings require further discussions with the General Manager, Chief Operating Officer, Office of Postsecondary Education, and Office of the Deputy Secretary.*			
A07-90035	Audit of Commissioned Sales at William Penn University (SAR 43, pg. 12)	05/15/01	$5,023,447	4
	Status: *Audit was placed on administrative stay on August 1, 2001.*			
A07-B0001	Audit of Course Length at William Penn University (SAR 43, pg. 12)	09/28/01	*	4
	Status: *Audit was placed on administrative stay on October 24, 2001.*			
A09-70015	Associated Technical College (ATC) Eligibility of Institutions to Participate in Title IV Programs & Other Issues (SAR 37, pg. 16)	09/09/98	$8,600,000	7
	Status: *FSA is working on final audit determination.*			
N06-90010	Inspection of Parks College's Compliance with Student Financial Assistance Requirements (SAR 40, pg. 18)	02/09/00	$169,390	1
	Status: *Discussions are in progress as to the responsible party to resolve this audit.*			
Office of Elementary and Secondary Education				
A01-90006	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Even Start Program (SAR 41, pg. 22)	09/27/00	$181,305	18
	Status: *A Department team is working on the resolution of this audit.*			
A01-90007	Puerto Rico Department of Education Needs Major Improvements in its Administration of the Governor's Safe and Drug-Free School Program (SAR 41, pg. 22)	09/27/00	$82,452	17
	Status: *A Department team is working on the resolution of this audit.*			
A01-A0004	Puerto Rico Department of Education Did Not Administer Properly a $9,700,000 Contract with National School Services of Puerto Rico (SAR 42, pg. 21)	03/28/01	$7,841,493	14
	Status: *A Department team is working on the resolution of this audit.*			

Table 6: Unresolved Reports Issued Prior to April 1, 2002 (Cont.)

Report Number	Report Title (Prior Semiannual [SAR] Number and Page)	Date Issued	Total Monetary Findings	Number of Recommend.
A02-50200	The Puerto Rico Department of Education Must Institute a Time Distribution System (SAR 36, pg. 13)	11/14/97	*	1
	Status: *A Department team is working on the resolution of this audit.*			
A02-B0012	Puerto Rico Department of Education Did Not Administer Properly Title I Contracts with National School Services of Puerto Rico for the 1999/2000 and 2000/2001 School Years (SAR 43, pg. 11)	09/28/01	$8,412,28	10
	Status: *Audit was placed on administrative stay on February 7, 2002.*			
Office of Postsecondary Education				
A05-A0026	Audit of Richard J. Daley College's Administration of Selected Aspects of Its Strengthening Institutions - Hispanic Serving Institution Program, Chicago, Illinois (SAR 42, pg. 21)	03/30/01	$1,621,861	2
	Status: *Waiting for a response from the program office.*			
Office of Special Education and Rehabilitative Services				
A04-A0015	The Virgin Islands Government Lacks Adequate Management Controls Over the Administration of Its IDEA, Part B Grant Program Salary Costs (SAR 43, pg. 11)	07/25/01	$4,702,542	15
	Status: *Audit was placed on administrative stay on January 15, 2002.*			
A04-B0013	Audit of the Virgin Islands Department of Education, Special Education Payroll (SAR 43, pg. 11)	07/17/01	*	4
	Status: *Audit was placed on administrative stay on January 15, 2002.*			

* Non-monetary findings only.

Note - Status comments reflect documents received, comments agreed to, or comments provided by the Department.

Table 7: Investigation Services Cumulative Actions (April 1, 2002 to September 30, 2002)

Subject/Period	Indicted/ Information	Convicted	Sentenced	Civil Matters	Adjudicated Value
School Cases					
April 1, 2002 - September 30, 2002	13	17	16	0	$1,760,811
Fiscal Year 2002 Total	30	30	38	0	$16,302,910
Federal Student Aid Recipient Cases					
April 1, 2002 - September 30, 2002	44	25	28	67	$1,432,557
Fiscal Year 2002 Total	58	50	64	179	$2,847,060
Internal Employee Cases					
April 1, 2002 - September 30, 2002	3	0	0	0	$0
Fiscal Year 2002 Total	3	4	1	0	$0

Table 7: Investigation Services Cumulative Actions (April 1, 2002 to September 30, 2002) (Cont.)

Subject/Period	Indicted/ Information	Convicted	Sentenced	Civil Matters	Adjudicated Value
Other Cases					
April 1, 2002 - September 30, 2002	3	9	7	2	$4,051,050
Fiscal Year 2002 Total	23	22	10	2	$4,075,503

Table 8: Collections from Audits

	Reports Issued with			Recommended				
	Questioned/ Unsupport.	Questioned/ Unsupported /Recomend.	Questioned/ Unsupported Resolved	Questioned/ Unsupported Resolved	Management Decisions	Write-Offs Adjustments	Collected/ Recovered	Balance
The House Report (H.R. 105-635) to accompany H.R. 4274, directs the Office of Inspector General of the Department of Education to submit reports detailing recoveries and savings generated by its work. The following table reflects that information.								
1998	11	$17,011,401	8	$8,390,850	$5,350,168	$0	$1,630,691	$3,719,477
1999	11	$69,804,793	11	$69,804,793	$38,255,609	$95,085[1]	$1,556,925[2]	$36,603,599
2000	21	$72,886,717	17	$66,142,528	$65,834,467	$48,600,000[3]	$2,034,637[4]	$15,199,830
2001	23	$82,435,089	11	$7,314,508	$7,012,608	$0	$97,375	$6,915,233
2002	37	$93,115,338	7	$1,329,927	$1,271,983	$0	$32,271	$1,239,712
Total	103	$335,253,338	54	$152,982,606	$117,724,835	$48,695,085	$5,351,899	$63,677,851

[1] Total includes adjustment of $95,085 as a result of settlement agreement.

[2] Total includes offset of $249,900.

[3] Total includes a settlement agreement dated March 27, 2000.

[4] Total includes two offsets totaling $130,165 ($90,600 + $39,565) and one deobligation for $77,959 for a total of $208,124.

Table 9: Collections from Investigations

FY	Number of Investigations with Penalties	Fines, Restitutions, Settlements and Judgments	Amount Collected (04/01/02 - 09/30/02)	Amount Collected (10/01/01 - 03/31/02)	Total Amount Collected (10/01/01 - 09/30/02)
The House Report (H.R. 105-635) to accompany H.R. 4274, directs the Office of Inspector General of the Department of Education to submit reports detailing recoveries and savings generated by its work. The following table reflects that information.					
1998	180	$48,208,055	$9,461	$31,599,932	$31,609,393
1999	274	$19,154,906	$24,060	$7,140,166	$7,164,226
2000	119	$37,311,157	$33,933	$109,681	$143,614
2001	130	$9,808,716	$92,937	$88,539	$181,476
2002	339	$29,217,458	$176,294	$290,176	$466,470
Total	1042	$143,700,292	$336,685	$39,228,494	$39,565,179

Table 10: Statistical Profile (April 1, 2002 to September 30, 2002)

	Six-month Period Ending 9/30/02	Fiscal Year Ending 9/30/02
OIG AUDIT REPORTS ISSUED	42	79
Questioned Costs	$65,554,308	$68,356,151
Unsupported Costs	$24,510,470	$24,759,187[1]
Recommendations for Better Use of Funds	$0	$0
OTHER OIG PRODUCTS	18	41
(Inspections, Action Memoranda, Alert Memoranda, Management Information Reports, Advisory Reports, Special Projects, and Field Pricing Reviews)		
OIG AUDIT REPORTS RESOLVED BY PROGRAM MANAGERS	37	66
Questioned Costs Sustained	$5,902,471	$16,365,914
Unsupported Costs Sustained	$3,337,836	$3,338,197
Additional Disallowances Identified by Program Managers	$194,530	$215,060
Management Commitment to the Better Use of Funds	$0	$0
INVESTIGATIVE CASE ACTIVITY		
Cases Opened	115	231[2]
Cases Closed	104	313
Cases Active at End of Period	390	390
Prosecutorial Decisions		
-Accepted	51	109[3]
-Declined	19	39[4]
INVESTIGATION RESULTS		
Indictments/Informations	63	117
Convictions/Pleas	51	110
Fines Ordered	$30,025	$54,775[5]
Restitution Payments Ordered	$20,994,482	$23,130,132[6]
Civil Settlements/Judgments (#)	67	181[7]
Civil Settlements/Judgments ($)	$4,656,496	$6,207,779[8]
Savings/Recoveries	$3,009,231	$3,131,335
Seized/Forfeited Property	$0	$2,417,000[9]

[1] A07-A0006 issued 10/15/01 was decreased by $100,000.

[2] Includes 3 cases not reported last period.

[3] Includes 1 case not reported last period.

[4] Includes 3 cases not reported last period.

[5] Includes $3,025 not reported last period.

[6] Includes $12,732 not reported last period.

[7] Includes 9 cases not reported last period.

[8] Includes $172,203 not reported last period.

[9] Includes $2,304,896 not reported last period.

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